

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 DRC-01 /154 W

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R 271856Z SEP 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2632

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6403

E.O. 11652: GDS

TAGS: EINV, ENRG, EC

SUBJ: TEXACO GULF PROBLEMS

REF: STATE 207069

1. ON SEPTEMBER 26, MAX CRAWFORD, TEXACO OPERATIONS CHIEF FOR LATIN AMERICA AND MIKE MARTINEZ, MANAGER TEXACO, ECUADOR, CALLED ON THE AMBASSADOR AND DCM TO DISCUSS TEXACO GULF PROBLEMS WITH CEPE. THEY REPEATED THAT CEPE HAD NOT PAID FOR ANY OF ITS SHARE ABOVE \$25 MILLION OF ITS 25 PERCENT PARTICIPATION IN THE CONSORTIUM, FOR PETROLEUM SOLD FOR INTERNAL CONSUMPTION AFTER THE FIRST OF THIS YEAR, OR FOR ANY OPERATING EXPENSES SINCE JUNE 6 ACQUISITION OF 25 PERCENT OF TEXACO/GULF. CEPE CURRENTLY OWES TEXACO/GULF APPROXIMATELY \$40 MILLION, AND THIS AMOUNT INCREASES DAILY. CRAWFORD SAID THAT HE HAD NO IDEA (EXCEPT AS SPECULATED IN PARA 3 BELOW) WHY GOE WAS NOT ASSISTING CEPE TO PAY ITS BILLS. TEXACO WOULD SOON BE IN A "CRUNCH" IF THE DEBTS WERE NOT PAID SOON, IN WHICH CASE HE DID NOT SEE HOW A CONFRONTATION COULD BE AVOIDED.

2. CRAWFORD SAID THAT CEPE WAS NOW TRYING TO FORCE A BUY-BACK AGREEMENT ON TEXACO/GULF FOR ALL OF CEPE'S

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PRESENT AND FUTURE PARTICIPATION CRUDE. THIS WOULD BE

UNPROFITABLE TO HIS COMPANY EVEN AT ONLY 90 PERCENT OF TAX
REFERENCE PRICE.

3. WHEN ASKED IF THEIR PRODUCTION HAD BEEN FURTHER LIMITED,
CRAWFORD SAID THAT THE OVERALL LIMITATION REMAINED AT
210,000 BARRELS A DAY. HOWEVER, SINCE THIS LIMIT IS
APPLIED TO FIELDS AND SOME WELLS INDIVIDUALLY, IT MEANS THAT
MAXIMUM PRODUCTION COULD NOT EXCEED 195,000 BARRELS PER
DAY. IN FACT, HE ADDED, PRODUCTION HAD BEEN CONSIDERABLY
LOWER DURING SEPTEMBER MAINLY BECAUSE OF CEPE'S MARKETING
PROBLEMS, AND IT WAS LOWER IN AUGUST BECAUSE OF THE
PIPELINE PROBLEMS. HE SAID ONE OF THE REASONS THE GOE
MIGHT FIND IT DIFFICULT TO MAKE ITS PAYMENTS TO TEXACO/
GULF WAS THAT IT HAD BUDGETED ITS NATIONAL EXPENDITURES
ON THE BASIS OF REVENUES DERIVED FROM CONSIDERABLY HIGHER
PRODUCTION. WITH PRODUCTION LOWER THAN PREDICTED AND
FISCAL DEMANDS REMAINING HIGH, THE GOE MIGHT INDEED BE
SUFFERING FROM A CASH PINCH.

4. CRAWFORD REPORTED THAT TEXACO VICE PRESIDENT SHIELDS
WAS COMING TO ECUADOR ON MONDAY, SEPT 30, AND WOULD BE
TALKING WITH CEPE AND MINISTER OF NATURAL RESOURCES JARRIN
PROBABLY ON TUESDAY. THE AMBASSADOR ARRANGED TO MEET WITH
SHIELDS AND CRAWFORD AFTER THEIR CONVERSATIONS WITH CEPE
AND JARRIN.
BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, DISPUTES, JOINT VENTURES, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974QUITO06403
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740274-0072
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974097/aaaaafxk.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 207069
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by cunninfx>; APPROVED <03 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TEXACO GULF PROBLEMS
TAGS: EINV, ENRG, EC, GULF, TEXICO, CEPE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005